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SUBJECT: AMBASSADOR'S LUNCH WITH FORMER PRESIDENT KIM
DAE-JUNG

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b/d)

1. (C) Summary: On January 16, Ambassador and Mrs. Vershbow hosted former President Kim Dae-jung and his wife Lee Hee-Ho to lunch at the Ambassador's Residence. While professing to avoid interfering in politics, the 83-year old Kim -- who said his health had improved recently -- offered his views on a range of issues. Kim expressed strong support for a Korea-U.S. Free Trade Agreement (FTA), which he said was in the best interest of Korea as well as the U.S., while acknowledging that sensitive areas of disagreement had to be overcome and noting that the ruling Uri Party, if it were in opposition, would have opposed an FTA. Kim thought it likely that the Democratic and Uri parties would form an alliance or a merger by mid-year, and if they did so, they had some chance of beating the Grand National Party (GNP). Stating that South Korea remained adamantly opposed to a nuclear-armed North Korea, Kim stressed the urgency of achieving denuclearization this year. To that end, he said China needed to put more pressure on the North, and the U.S. needed to offer a comprehensive package deal to Kim Jong-il which would recognize his regime and lift financial sanctions. Kim defended North-South economic cooperation as a check on North Korea's over-dependence on China, and expressed support for a North-South Summit in 2007 in which the first agenda item would be denuclearization, as already agreed in the 1991 agreement with the North. The Ambassador took the opportunity of the meeting with Kim, who remains extremely influential on the progressive side of Korean politics, to clarify U.S. policies on North Korea, an FTA, and other issues, and to emphasize our hope that the ROK-U.S. relationship would not become a Korean election issue. End Summary.

Non-Interference in Politics

12. (C) Kim Dae-jung opened the substantive discussion at lunch by noting that he did not interfere at all in domestic politics. While it was difficult to stay out, many people visited him and the media overstated his role. This was the case even when he was just offering New Year's greeting to others. As a result, Kim said he was quite cautious, adding that politicians, like diplomats, had to be careful how they conducted themselves.

Free Trade Agreement

13. (C) Asked by Kim for his assessment of the prospects of an FTA, the Ambassador said he still remains cautiously optimistic that we could finish an agreement by the end of March. The Ambassador noted that the atmosphere in the latest FTA round this week was good and we were beginning to confront the difficult issues on both sides. Kim said he believed an FTA with the U.S. was important for Korea and therefore he hoped it succeeded. The Ambassador observed that both of our presidents have expressed support for an FTA; what was important was for their political will to be translated into action by the negotiators and affected ministries. Kim said that while there had been some protests in Korea against an FTA, as there had been elsewhere, both government and opposition were united in support of a U.S.-ROK FTA.

14. (C) The Ambassador said that this broad support would count when the FTA went to the National Assembly for approval. Before we got to that point, however, we had to

find solutions to difficult issues such as autos, pharmaceuticals, and agriculture. Despite the protests, recent polls showed that the majority of Koreans supported the FTA and we hoped to push an agreement through. Kim agreed, noting that many people were now aware that in order to prosper in an age of globalization, the FTA was very important. It was, of course, also necessary to address difficult issues like agriculture and good results were needed. He observed that most Koreans appeared most interested in the areas of agriculture and anti-dumping. The Ambassador pointed out that anti-dumping issues had proved most difficult in recent weeks. While something might be done in this area, it remained a very difficult issue given strong Congressional views, and the ROK's emphasis on our differences in this area risked "making the best the enemy of the good."

15. (C) The Ambassador noted that many people wondered if the ROK Government would be able to conclude an FTA given the Government's low approval ratings, and were concerned that tensions between the Blue House and the ruling Uri Party might have a spill-over effect on the FTA. Kim responded that when the U.S. and ROK reached agreement, both the opposition and of course the ruling party would support it. If the ruling party were now in opposition, they would not do so. The Democratic Labor Party did not support the FTA but it was not large. Kim added that while he did not interfere in politics, he had made known his view that an FTA was needed and he had expressed his support in principle.

The Future of the Progressive Parties

16. (C) The Ambassador asked Kim for his assessment of the very confused situation in recent months on the progressive side of ROK politics. Noting that there were potentially two or three parties that might emerge from the fractious ruling Uri Party, he asked what its future might be. Kim responded that in the first half of this year new political parties would likely emerge, but in the end he thought they would coalesce around former Prime Minister Goh Kun. (Note: Not long after lunch, local media reported Goh Kun's decision to

drop out of the race for the Presidency. End Note.) While politics were difficult to predict, Kim said he thought the Democratic and Uri parties would in the end form an alliance and support a strong presidential candidate. An alliance was possible and there was an even bigger possibility of a merger, he added. Kim noted that originally both the current Democratic and Uri parties had been part of one party. The Uri Party had broken off with bad consequences. It was possible, however, that now the two would converge into one again. Kim recalled that beginning in the mid-fifties Korean politics had been mostly based on two big parties: the liberals and the democrats. These parties had in effect become, respectively, the GNP and the Uri/Democratic parties.

As a result, the Korean people were used to two major parties and this situation was likely to re-emerge.

¶7. (C) The Ambassador asked whether the progressives could win the next national election if they managed to come together. Kim responded that while currently the GNP appeared to be ahead, there was still one year to go. Prospects would remain unclear until mid-year. If the political system developed into two major parties once again, a new progressive party had some possibility of winning.

North Korea

¶8. (C) The Ambassador noted that one of his tasks in the coming year would be to ensure that our bilateral relationship did not become an ROK election issue. This might be easier said than done, however. The FTA itself, for example, whether agreed to or not, could become a controversial issue. And the issue of North Korea could not be separated from our bilateral relationship. Right now, however, our two governments were close in our approach to North Korea. Although we were relatively disappointed in the results of the last round of Six-Party Talks in December, we both agreed on the need to be patient and to keep North Korea focused on fulfilling its commitment to denuclearization.

¶9. (C) Kim Dae-jung said he hoped the North Korean nuclear issue would be completely resolved this year. If it were not resolved before long, he feared another nuclear test or missile launch. He therefore hoped the U.S. would more decisively move ahead on negotiations and actively come up with a comprehensive solution. The Ambassador responded that A/S Hill, who was leading our negotiations, had President Bush's full support for a comprehensive solution based on the September 2005 Joint Statement. He was seeking to get off to a fast start, trying to convince North Korea to carry out early measures to convince us that it was serious about denuclearization. We hoped that North Korea, when it reflected on what we had proposed in December, would do just that.

¶10. (C) Agreeing, Kim said he had heard that during the last round of Six-Party Talks, the U.S. had presented a more advanced deal which the North Koreans were now reviewing. Kim reiterated, however, that he hoped the U.S. would more actively initiate a comprehensive package solution. Recalling his experience with Kim Jong-il, Kim noted that North Korea remained a country ruled by one person and as a result it could reach decisions faster than one might think. Kim Jong-il could even make important decisions on the spot. He was also known for "having guts" and would want a package deal to demonstrate that. This was the best way to solve the problem, Kim reiterated.

The Chinese Role

¶11. (C) Kim noted that in resolving the North Korean nuclear issue, the role of China was also important. China opposed North Korea having nuclear weapons, but the question was whether China was really determined and willing to stop all

assistance even if it meant the North Korean regime were jeopardized. The Ambassador agreed, observing that this was why we had spent so much time and effort at every level with the Chinese to get their help in reaching a deal. The very dilemma that Kim Dae-jung had described, however, was one that the Chinese apparently wanted to avoid. Nevertheless, the Chinese may soon need to make a choice between denuclearization and regime stability in the North. The Ambassador said he thought that North Korea had been surprised by the strength of China's reaction thus far. Pyongyang might have calculated that because of Beijing's fear of its collapse, neither China nor South Korea would be willing to put decisive pressure on North Korea.

¶12. (C) Agreeing, Kim said that the South Korean government and people were adamantly opposed to North Korea having nuclear weapons. They saw this as a priority because it represented a threat to South Korea. He believed, however, that as a result of the North Korean nuclear test, North Korea had reached the ceiling of its influence. Now was the

time to compromise. If the North did not do so, it would face more "counter-attacks." The first counter-attack would come from China, which would never accept a nuclear North Korea because even now there was talk in Japan of going nuclear and Taiwan might be next. Even if regime collapse were not the issue, Kim Jong-il had to calculate that China could support another leader in Pyongyang. As a result, Kim said, he did not think North Korea could resist China much longer.

A North Korean Delay?

¶13. (C) The Ambassador noted some speculation that Kim Jong-il might decide to wait until the next U.S. administration before acting, even though both Democrats and Republicans essentially agreed with our basic goals in dealing with North Korea. Kim Dae-jung said that, based on his understanding of Kim Jong-il, the North Korean leader had two fundamental goals: first, recognition of his regime; and second, an end to economic sanctions. If he thought President Bush's Administration could help him achieve these goals, he would negotiate.

¶14. (C) The Ambassador observed that we had a process under way to address North Korea's concerns about financial issues. In this regard, however, North Korea needed to address our concerns about its illicit activities. These could nonetheless be resolved if North Korea wanted to join the international financial system. Kim Jong-il's desire for recognition of his regime was more complicated. While the United States was willing to accept Kim Jong-il as a negotiating partner, and even sign a peace treaty with him, as President Bush had told President Roh, the USG wasn't going to guarantee the Kim Jong-il regime's survival. On the contrary, we believed that North Korea needed to adopt the path of China and other countries that had opened up to the rest of the world and conducted economic and political reforms. North Korea needed to move toward democracy and to improve respect for its citizens' human rights if it wanted to survive.

¶15. (C) Kim Dae-jung said he would like to propose that the U.S. try another method of dealing with North Korea. He suggested that, excluding North Korea, the five other parties could reach agreement on how to ensure the lifting of economic sanctions against North Korea and security guarantees for North Korea. They could then propose this package to North Korea. If North Korea rejected it, the five parties could then join together to impose consequences. The Ambassador replied that was what in effect we were trying to do in the September 19 Joint Statement. We all agreed on the fundamental goals and were now discussing the timetable and methods to achieve them. Once we saw that North Korea was serious about denuclearization, we were willing to develop parallel measures and roadmaps showing how we would translate

our general commitments (on economic assistance, normalization, peace regime) into specifics. We also now had UN Security Council Resolution 1718 that spelled out North Korea's legal requirement to denuclearize. If it did so, UN sanctions would eventually be lifted. If it did not, sanctions would get tougher.

¶16. (C) Kim Dae-jung stated that the Korean people aspired to good inter-Korean relations and cooperation and ultimately reunification. On some issues, South Koreans could be quite tolerant. In no case, however, could they accept a path that would lead to war. And in no case could they accept a nuclear North Korea, which could lead to the end of the

Korean Peninsula. Kim added that if China took strong steps against North Korea, he believed South Korea would follow. The Ambassador observed that the five parties were more unified than ever before. They needed to convince Kim Jong-il that now was the time for denuclearization and that his interests would not be served by waiting.

North-South Summit?

¶17. (C) The Ambassador noted that there was lately considerable talk about the possibility of a North-South summit in 2007. While some saw a summit as something that could assist denuclearization, others had criticized a proposed summit as just a way of helping the ruling party in an election year. The Ambassador asked Kim for his view. Expressing support for a summit, Kim said that if a summit were held, the very first item on the agenda would be denuclearization because in 1991 the North and South had already agreed on denuclearization. So if there were a summit, this should be the first priority. He had so advised President Roh.

¶18. (C) Another key issue, Kim continued, was economic progress in North Korea, including through projects like the Kaesong Industrial Complex. Economic cooperation, he noted, was good for both sides. Kim said he knew that some in the U.S. had criticized this economic cooperation, but North Korea currently received some 80 to 90 percent of its necessities from China. China had more and more economic influence over North Korea. With the North's increasing economic dependence, Chinese political influence would grow. South Korea needed to keep this influence in check. He added, however, that in all cases South Korea should consult with the United States.

¶19. (C) The Ambassador agreed that North Korean over-dependence on China was not healthy. We were not opposed in principle to inter-Korean economic relations. We had specific questions, however, about some of the North-South projects, such as how workers at Kaesong were paid and about their rights. The Ambassador added that until we solved the nuclear problem, the climate for investment in North Korea would in any case remain very unfavorable. These issues were interlinked. The sooner the nuclear issue was resolved, the sooner economic cooperation and development could make progress.

¶20. (C) Kim said he understood what the Ambassador was saying but commented that the current situation had gone on for too long and needed to be solved this year. He reiterated therefore that the U.S. should propose a package deal to North Korea and let North Korea say "yes" or "no" to the package. The Ambassador observed that a deal with North Korea was what we were seeking, based on the September 2005 Joint Statement.

VERSHBOW